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LONG-TERM CARE: MORE THAN A HEALTH ISSUE

Planning for Long-Term Care Can Directly Impact Financial Well-Being In Retirement

NEWARK, N.J. – Long-term care is not just a health care issue, but also a key retirement planning consideration for today’s workers, according to two recent retirement studies released by Prudential Financial, Inc. (NYSE: PRU).

As Americans struggle to get financially prepared for retirement, many overlook the fact that they may be ill-prepared to meet the expenses associated with health issues as they age. The research found that seven in 10 Americans feel rapidly rising health care costs in the recent past have hurt their prospects for a comfortable retirement. In addition, two in 10 anticipate they might need nursing home care in the first 10 years of retirement, and when considering the second phase of retirement, that number swells to more than four in 10.

“Americans are expected to live longer in retirement, sometimes up to 25 or 30 years,” said Vivian Banta, vice chairman, Prudential Financial. “This trend coupled with the ever-rising cost of health care and nursing home care can become a significant factor in planning for a financially secure retirement. It’s more important than ever to educate consumers on how long-term care needs can affect their financial security in retirement, and help them find smart solutions to be ready for these potential challenges,” Banta said.

Rising Costs, Rising Concerns

The escalating costs of health care and nursing home care are impacting financial priorities in retirement. According to the research, among those who expect to need nursing home care in retirement, more than nine in 10 are concerned that they could run out of retirement savings.

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For those closest to retirement, their most important goals are to remain financially independent and not become a burden to loved ones. In fact, seven in 10 near-retirees feel it is “very important” to be able to afford necessary medical care or nursing home care.

Long-Term Care Insurance Remains A Mystery To Many

Although the public has shown increased awareness about long-term care needs, long-term care insurance is not yet well understood. Even among those who are closest to retirement age, just one in five claim to have a sound understanding, and nearly half need help with understanding the coverage and options.

“The elderly population, many of whom could require long-term care services, will more than double in the next 25 years to over 70 million¹,” said Andy Mako, senior vice president of Prudential’s Long-term Care Insurance business. “With the costs of nursing home care running \$61,000 a year on average², it is prudent for Americans to make long-term care insurance an integral part of their overall retirement and financial planning to protect their assets, their choice of care and their independence should the need for long-term care arise.”

Prudential Financial’s *Workplace Report on Retirement Planning* study, focused on retirement issues among near-retirees, polled 1,023 fulltime employed Americans aged 55 to 64 about their retirement knowledge, goals, actions and plans. The margin of error is +/-2.9 percentage points at the 95% confidence level. The second study, *Roadblocks to Retirement*, surveyed a broad cross-section of Americans in December 2004 as they contemplated both the year that had just passed and the coming year. The survey is on an online national random sample of 621 Americans between the ages of 30 and 69 who were asked about their financial priorities, retirement preparation and their retirement concerns and challenges. The margin of error is plus +/-3.9 percentage points at the 95 percent confidence level. For a copy of the report, visit www.prudential.com.

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¹ Janemarie Mulvey, Ph.D., "Can Aging Baby Boomers Avoid the Nursing Home?" *American Council of Life Insurance*, Mar. 2000, p. 13.

² Long-Term Care Facility Costs - A Nationwide Quantitative Evaluation of U.S. Facilities. January 2004. Prudential Financial Global Market Research